Ministry of
Provincial Revenue

2001/02
Annual Report
A New Era Update

BRITISH
COLUMBIA

Ministry of
Provincial Revenue

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For more information on the British Columbia Ministry of Provincial Revenue, contact:
Communications Branch
PO BOX 9468
STN PROV GOVT
VICTORIA, BC
V8W 9V8

or visit the B.C. Government's Web site at
www.gov.bc.ca

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Introductory Note — A Year of Transition

The Government of British Columbia and its ministries are committed to reporting on performance. The *Budget Transparency and Accountability Act* (BTAA), as amended in August 2001, provides the legislative framework for a regular cycle of planning, reporting and accountability. Under the BTAA, ministries are responsible for producing three year service plans (previously called performance plans), which are updated yearly, and annual service plan reports (formerly called performance reports). The amended BTAA takes effect beginning with the 2002/03 fiscal year. The first three-year service plans, covering the period 2002/03 to 2004/05, were released with the provincial budget on February 19, 2002.

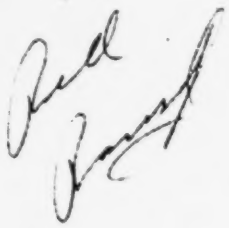
This annual report relates to the previous fiscal year, covering April 1, 2001, to March 31, 2002. This was a transition year, with a new government sworn into office on June 5, 2001. On that day, there was an extensive reorganization of ministries, which were given significant new policy direction and tasked with the responsibility for implementing the government's *New Era* commitments. Later in the year, ministries proceeded through the core services review, which refined the mandates of ministries and identified the strategic shifts required to move government toward its long-term objectives.

This report provides an update on all that activity and also provides a report on performance, approaching the model provided by the BTAA as closely as is possible in the circumstances. An annual report would normally relate back to a preceding plan and report on the results achieved compared with the intentions outlined in that plan. In this case, the preceding plan was produced before the adoption of the significant changes outlined above, and as noted, this ministry has been significantly reorganized, and policies and priorities have changed. This limits the extent to which performance information as described in the previous plan is useful.

Consequently, this report sets out the ministry's redefined role and the services it provides, and — within the context of its goals and objectives as they evolved through the year — describes the achievements of the ministry and the performance targets being used to measure success.

Accountability Statement

The 2001/02 Ministry of Provincial Revenue Annual Report was prepared under my direction and I am accountable for the results the ministry achieved since June 5, 2001. This report describes progress made in this first year on the government's *New Era* commitments, which are to be addressed by May 17, 2005.



Bill Barisoff
Minister of Provincial Revenue

July 11/02

BRITISH COLUMBIA

Ministry of Provincial Revenue

On June 5, 2001 I was appointed Minister of Provincial Revenue, a new ministry created with a single focus on effective and efficient collection of tax revenue, stumpage revenue, overdue payments for various fees and loans, and oil, gas and mineral revenues. In recent years there has been a sharp increase in overdue accounts receivable and the ministry's creation is intended to reverse this trend.

Collection of revenue is important because it is these revenues which fund government programs. In the past, with tax and debt collection responsibility found in a number of ministries, it was often treated as a lower priority than program delivery. For my ministry it is our priority.

The efficient collection of revenue serves another purpose as well. While we work to encourage voluntary compliance we also want to make sure that all taxpayers and debtors are treated equitably. We devote significant resources to identify and pursue individuals and corporations that have not complied with provincial tax legislation or terms and conditions of loans. This effort helps produce significant amounts of revenue.

While we had a good first year, there remains work to be done. There remain many different revenue collection systems in government and we need to continue to explore, with taxpayers, how to streamline our activities in a way which reduces their costs and improves efficiency. Fortunately, the staff in the ministry, most of which I have had the pleasure of meeting, are committed and dedicated individuals who work hard every day in support of our ministry's objective.

Bill Barisoff
Minister

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Message from the Deputy Minister

Although the Ministry of Provincial Revenue is new, its revenue collection activities are not. Every achievement detailed in this annual report reflects the hard work of a seasoned, dedicated team. Our success in the past year and in future years will depend on their constant focus on achieving our performance targets. Management's job is to ensure that staff has the tools they need to succeed.

In reviewing our performance over the past year, as documented in this report, it is easy to forget that what was accomplished occurred during a time when the ministry was created and reorganized, during a time when we brought 118 new staff into the ministry and also in a time when the fiscal realities facing the government created a significant amount of uncertainty. It is a testament to the professionalism and dedication of all ministry employees that we accomplished as much as we did during 2001/02 fiscal year.

I would like to use this opportunity to extend my thanks to all staff in the ministry for their support over the past year. As our new ministry heads into its second year, management will work hard on developing and implementing a new human resource plan to ensure that we have the skills, abilities and opportunities required to meet future challenges.

Chris Trumpy
Deputy Minister

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Year-at-a-Glance Highlights 2001/2002

- The Ministry of Provincial Revenue was established June 5, 2001 to focus on tax and revenue collection and administration.
- The Ministry three year service plan released February 19, 2002 highlights the focus of the ministry on fair and equitable treatment of clients.
- The ministry exceeded its revenue targets for 2001/2002.
- The ministry was reorganized into three divisions effective January 17, 2002.

Ministry key achievements for fiscal 2001/02:

Received the 2001 Public Service Information Technology Award in the category of Public Value for the successful implementation of the CTB21 Project, commonly known as Taxpayer Administration and Compliance System.

Attracted forty hard-to-recruit auditors through an innovative electronic applicant system, Vision 2Hire, which provided an increased ability to attract, interview and respond to applicants electronically.

BC Energy Rebate Implemented — granted individuals up to $100 to cover rising costs of energy. Project included drafting of legislation, negotiation of CCRA administration contract and payments to over 1.13 million recipients for over $76.5 million.

In partnership with the Ministry of Finance, designed and implemented the production machinery and equipment exemption, including drafting required legislative and public information materials. Extensive industry consultations resulted in additional legislative improvements.

Began the collection of overdue MSP premiums commenced in July 2001 and overdue Ambulance fees commenced in October 2001.

Supported taxpayer compliance through audit programs, recovering $87.6 million in fiscal 2001/02.

Income Tax Audit Revenue set a new record for audit assessment revenue of over $67 million.

Collection targets for student debt accounts and overdue BC Benefits overpayment or loans were met or exceeded. Notably, the cost-to-revenue ratio was lower than the target established for student debt.

Converted natural gas royalties from a self assessing to invoicing system. This has increased electronic collection of natural gas royalty revenue from 0% in April 2001 to 75% in January 2002.

Established a Special Investigations Section to pursue court prosecutions for the most willful, repeated and flagrant violations of the consumption statutes.

Implemented a core competencies model to provide both staff and management with a tool for managing training, career planning and development.

Implemented a new Ministry organization structure by forming three divisions, namely, Strategic Initiatives and Administration, Revenue Programs and Collection and Loan Management.

Ministry Divisions' Accountability and Accomplishments

This section of the annual report is devoted to the efforts of the Ministry's branches and divisions by highlighting their major accountabilities and accomplishments during the fiscal year.

The Ministry of Provincial Revenue has three main divisions:

- Strategic Initiatives and Administration
- Revenue Programs
- Collection and Loan Management

In addition, some of the divisions have included summaries that represent their work while transitioning from their former Ministries to the new Ministry of Provincial Revenue. The scale of the reporting varies as does the size and scope of each area.

Strategic Initiatives and Administration Division

Strategic Initiatives and Administration Division provides the Ministry with strategic planning, financial and budget management, billing, receivables and payment processing of $9.5 billion in tax revenue, system development, administrative support functions and interaction with central government agencies. In addition, the division is responsible for appeals, assessments, disallowed refunds or decisions of the administrator or commissioner. The division consists of Strategic Initiatives Branch, Appeals Branch, Corporate Services Branch, Billings and Receivable Branch and Information Systems Branch.

Major Accomplishments Fiscal 2001/02

Completed count of requirements for Ministry of Deregulation and determined baseline to be 16,093.

Introduced and started the Infrastructure project to upgrade all desktops, servers and databases to fully supported releases of products.

Initiated and established a corporate Disaster Recovery Planning (DRP) Framework.

Adapted the ISB organization to accommodate the four (4) new branches: Collection Loans Management Branch, Home Owner Grant, Mineral Oil & Gas and Forest Revenue.

Completed the space re-plan in the lower mainland to accommodate the additional resources.

Consolidated appeal responsibilities formerly located in two branches and established targets for reducing backlogs.

Developed a corporate operational records classification system.

Implemented a client service model between SIA and other division using partnership agreements for processing requirements.

Promoted effective leadership by having eight employees attend Royal Roads leadership training.

Promoted employee motivation and a skilled workforce by having five hundred and one employees attend cost-effective internal training.

Promote harmonious work environment through pro-active and co-operative working relationships with union representatives to successfully achieve timely responses to grievances and employee/employer issues.

Open communication was encouraged by providing management/employee workforce adjustment information sessions to impacted and non-impacted staff.

Employees engaged in workforce planning with sixty-nine employees attending group and twenty-nine employees attending individual retirement planning sessions.

Attracted forty hard-to-recruit auditors through an innovative electronic applicant system, Vision 2Hire, which provided an increased ability to attract, interview and respond to applicants electronically.

Contributed to overall government improvement through providing Pubic Service Emplovees Relation Commission (PSERC) with Vision 2Hire findings to assist in developing a new applicant inventory system.

Increased emplovee organizational knowledge base through sixty-eight new employees attending a one-day Ministry orientation.

Implemented a core competencies model to provide both staff and management with a tool for managing training, career planning and development.

Revenue Programs Division

The Revenue Programs Division consolidates the revenue administration branches of the ministry to provide fair, efficient and equitable revenue administration. The division consists of the Income Taxation Branch, the Consumer Taxation Branch, the Real Property Taxation Branch, the Forest Revenue Branch and the Mineral Oil and Gas Revenue Branch.

The establishment of a Revenue Programs Division in January 2002 effectively consolidates the ministry's tax and natural resource revenue administration activities. The division represents a key business area of government where, in addition to benefit administration, revenue administration activities are balanced among taxpayer and client assistance, education and service on one hand with compliance activities on the other hand. With annual gross revenue of over $9.5 billion, the division's programs are the largest source of provincial revenues, required to support public services to meet the needs of citizens in British Columbia.

Major Accomplishments for Fiscal 2001/02

Supported taxpayer compliance through audit programs, recovering $87.6 million in fiscal 2001/02.

T1 Residency Project — Started and Completed a joint pilot project with CCRA to determine if individuals resident in BC are incorrectly filing income tax returns in other provinces. Initial pilot project resulted in approximately $7 million in adjustments. Phase II of pilot project began in April 2002.

Integrated the Accounts Team into the Collections Section to enhance service to non-compliant taxpayers and improve efficiency in business processes.

Established a Special Investigations Section to pursue court prosecutions for the most willful, repeated and flagrant violations of the statutes.

In partnership with the Ministry of Finance, designed and implemented the production machinery and equipment exemption, including drafting the required legislative and public information materials. Extensive industry consultations resulted in additional legislative improvements.

Recognized by being awarded the 2001 Public Service Information Technology Award in the category of Public Value for the successful implementation of the CTB21 Project.

Reduced red tape by removing the limitation on the number of decals that International Fuel Tax Agreement carriers can obtain, thereby reducing the administrative burden on carriers.

Processed 29,420 refund claims for all consumption taxes.

On-time issuance of 364,000 rural property tax notices for $546 million; on-time issuance of 154 municipal tax notices for school taxes totalling $1,496 million.

Income Tax Audit Revenue set a new record for audit assessment revenue of over $67 million.

Initiated ability to pay forest accounts through electronic funds transfer. Over $85 million paid electronically to date.

BC Energy Rebate Implemented — granted individuals up to $100 to cover rising costs of energy. Project included drafting of legislation, negotiation of CCRA administration contract and payments to over 1.13 million recipients for over $76.5 million.

Legislation Amendments — Implemented personal income tax cuts, introduced the Mining Flow Through Share Tax Credits, changes to general corporate tax rates, and changes to corporate small business deduction. In addition, the Corporation Capital Tax Act was amended to phase out tax on general corporations and streamline remaining legislation applicable to financial institutions.

Continually improved the operations of the Collections Section, resulting in record payment recoveries at $90.2 million.

Efficiency in cash management obtained through transition from Ministry of Forests to Ministry of Provincial Revenue.

Converted natural gas royalties from a self assessing to invoicing system. This has increased electronic collection of natural gas royalty revenue from 0% in April 2001 to 75% in January 2002.

Implemented electronic submission of reports on "Commencement or Suspension of Well Operations" for oil and gas wells. This has reduced the proportion these reports being submitted on paper from 100% in February 2001 to almost 0% in February 2002, and has provided industry with easy means of accessing information about individual wells.

Forest Renewal BC (FRBC) — Continued coordination and calculation of payments under Phase I of the FRBC agreement negotiated in 2000, and coordinated the negotiation and implementation of the protocol agreement for Phase II of the FRBC agreement.

Developed Employee Learning and Development Plans for staff by identifying core competencies for each position and assessing each staff member's current development against the competencies. The branch is now positioned to deliver individualized learning and development plans.

The following reporting for Revenue Programs Division is presented to complete the division's accountabilities under the former Ministry of Finance and Corporate Relations 2000/01 Performance plan.

Ministry of Finance and Corporate Relations — 2000/01 Performance Plan	Target	Fiscal 2001/2002 Actual Performance
Annual number of taxpayer telephone inquiries	195,000	188,887
Annual 10% increase in Website visits	175,000	663,962
Annual 10% increase in Website hits	2,500,000	2,520,685

The following reporting provides a comparison of Revenue Programs Division's performance in fiscal 2001/02 to relevant performance measures contained in Ministry service plan for 2002/03 to 2004/05.

Ministry of Provincial Revenue Service Plan Performance Measures	Fiscal 2001/2002 Actual Performance	Fiscal 2002/03 Target
Percentage of on time payments	84.3%	85.0%
Number of audits performed	167,018	143,500
Annual assessment per auditor	$744,506	$500,000
Annual account receivable revenue per collector	$4,791,462	$2,500,000
Ratio of overdue tax (>90 days) accounts receivable to total tax accounts receivable	40.3%	45.0%
Percentage of receipts made electronically	25.7%	28.7%
Percentage of revenue received electronically	53.6%	58.0%

Achievements of Performance Targets for Revenue Programs Division for 2001/02

TARGET: Continued a pilot program that uses private collection agencies.

PROGRESS: Concluded initial contract. Evaluating results.

TARGET: Reviewed business processes as part of the implementation of a new consumption tax system to identify opportunities to improve efficiency.

PROGRESS: Completed. Outcomes rolled into the CTB21 Project and TACS system.

TARGET: Monitored online processing of audit assessments to ensure accurate results.

PROGRESS: Online processing of audit assessments were monitored and found to be accurate. Monitoring ended. CTB audit staff were increased by one full team of 22 auditors in Vancouver to help ensure the timely recovery of revenue.

TARGET: Improved management reporting.

PROGRESS: Information Warehouse work continues to provide a wide and large variety of timely management reports using data contained in the new TACS system.

TARGET: Better service for taxpayers that call.

PROGRESS: Building on the increased service to taxpayers through the telephone tree installed in fiscal 2000/01, the system was further upgraded with the ability to install eight additional telephones at the CTB call centre during times of heavy volume, e.g., new legislative initiatives. In addition, the Collection Section will be installing an automated call distribution system.

TARGET: Complete the TACS system by December 2000.

PROGRESS: The TACS system is fully implemented and contributing significantly to the reduction of administrative burden and increasing revenue collected.

TARGET: Develop and improve the standards, navigation, content and functionality of the division's current web sites to provide more information and services to taxpayers.

PROGRESS: CTB website was invaluable in providing complete, accurate, and timely information regarding the 2001 Budget, the July 2001 Economic and Fiscal Update, and the 2002 Budget. There are over 3,900 subscribers to the site's automatic update service. The number of forms and information has also increased. 1,800 new businesses registered electronically via the Internet to collect tax. ITB continued to upgrade and improve its site, resulting in over 111,000 visitors. Nearly 600 users subscribe to the site's update service.

TARGET: Expand with Canada Customs and Revenue Agency (CCRA) the recovery of more outstanding debts through the federal set-off process.

PROGRESS: CCRA set off program for the fiscal year ending March 31, 2002 with ITB: approximately $125,000 collected, 350 accounts, no new components added within the last year. CTB Collections off-set program with CCRA recovered $92,648.

TARGET: Expand the collection of SST at the border to include goods brought into BC through the commercial stream.

PROGRESS: CTB will be meeting with CCRA to review options for this program in view of concerns raised with respect to its impact on international trade.

TARGET: Maintain or enhance tobacco enforcement programs.

PROGRESS: Undertook the redrafting of the *Tobacco Tax Act* regulations to implement the blackstock tobacco program. Under this program all tobacco intended for an exempt sale in British Columbia must bear a particular mark, referred to as blackstock. Public information materials were developed for tobacco wholesalers, tobacco retailers, and exempt-sale retailers.

TARGET: Continue to expand and refine collection strategies, methods and reporting.

PROGRESS: Maintained a strategic audit plan to focus audit resources in the areas of highest potential recovery. CTB Dawson Creek office program focused on OOP contractors working in the oil and gas industry. Audit recovery was $460,000. Out-of-province businesses meeting the broader registration and tax-collection requirements (those who solicit business, accept orders for and make sales to BC residents, and cause tangible personal property to be delivered into BC — introduced in 2000/01) were contacted by letter and asked to register. Some were also selected for audit. Development of tobacco tax desk audit program to review collectors' returns to increase voluntary compliance. A similar desk audit program for motor fuel identified over $315,000 in recoveries.

TARGET: Work with advisory group and other stakeholders to identify issues to be resolved through the legislative process.

PROGRESS: Revenue Programs Advisory Committee (RPAC) meets to discuss issues of importance. RPAC's Audit Subcommittee worked audit protocol agreement, 10% penalty on subsequent audit, a netting audit and refund tax prior to interest calculation. Its Legislative Subcommittee is developing a process through which tax policy issues can be addressed by CTAC. The Fuel Tax Subcommittee works in conjunction with the branch Fuel Tax Review Project to optimal tax collection point, the coloured fuel program, reporting requirements and enforcement. The Tobacco Tax Subcommittee has developed and added to CTAC the reporting requirements for the blackstock tobacco. Finally, the Process Streamlining Subcommittee is developing a proposal concerning a "remote stores policy" for tax-exempt purchase by status Indians and Indian Bands and reviewing vendor commission rates for social service tax.

Collection and Loan Management

Collection and Loan Management provides professional and cost-effective collection and loan administration services to government ministries and Crown agencies to maximize revenue from government's overdue receivables and loan assets. Collection and Loan Management was designated the central debt collector for non-tax accounts receivable in 2000. At the end of the year, CLMB had approximately $185 million in accounts receivable and $490 million in commercial loans and guarantees under its administration.

Accomplishments for Fiscal 2001/02 include:

The collection targets for Student Debt ($10.4 million) accounts and overdue BC Benefits ($3.0 million) overpayment or loans were met or exceeded ($10.4 million and $4.8 million respectively).

The cost-to-revenue ratio was lower than the target established for both Student Debt and BC Benefits.

The use of the Canada Customs and Revenue Agency to recover debts owed to the province was expanded to BC Benefits overpayments and overdue Medical Service Plan (MSP) premiums.

The value of BC Benefit overpayments transferred for collection doubled from the previous fiscal year.

The collection of overdue MSP premiums commenced in July 2001 and overdue Ambulance fees commenced in October 2001.

An internet/telephone banking process and an automated telephone call distribution system were implemented to improve client service.

The use of collection agencies was increased and the infrastructure necessary to improve and monitor collection agency performance was significantly enhanced.

Home Owner Grant Administration Branch

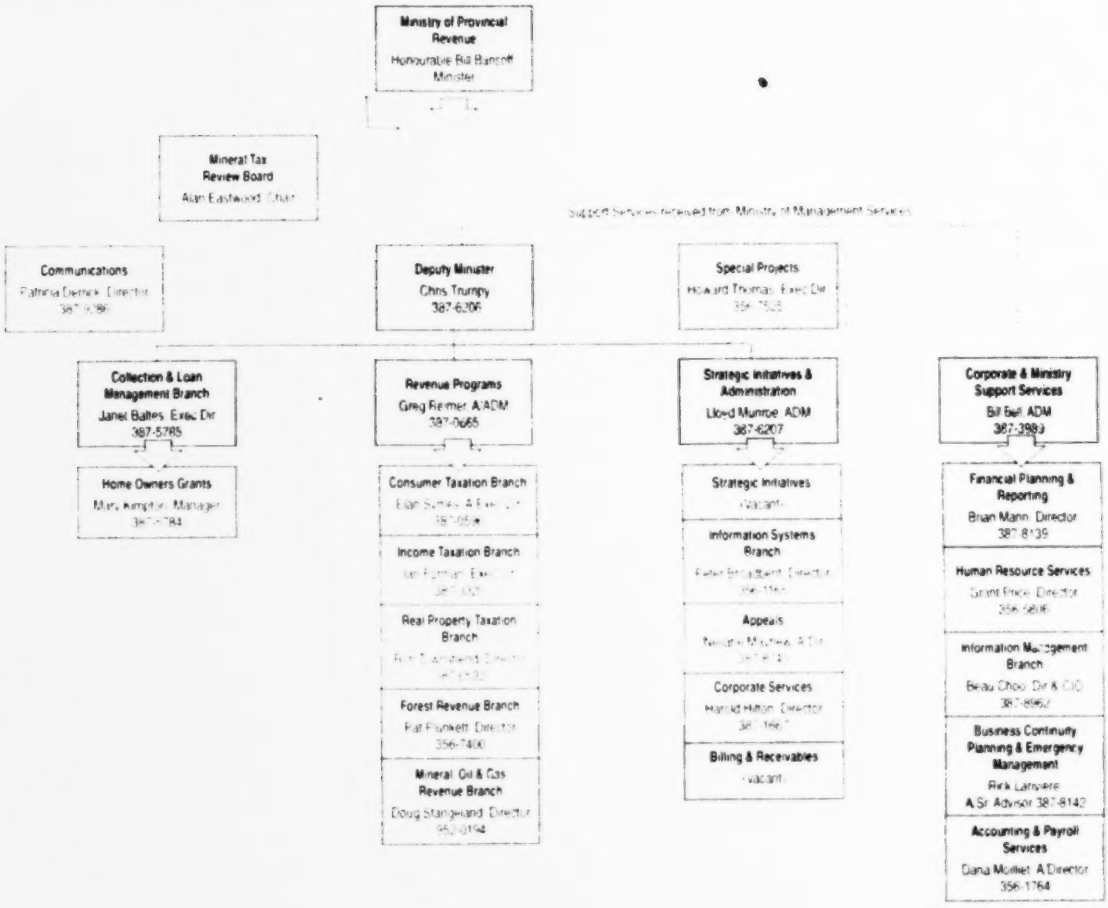
With the government reorganization, the Home Owner Grant Administration Branch was transferred to the ministry under the direction of Collection and Loan Management. The Home Owner Grant Program provides property tax relief to approximately 950,000 residents of British Columbia. Local governments and the Ministry administer the program in rural areas. The Home Owner Grant Administration Branch ensures the program is administered in a fair and equitable manner, has the authority to consider appeals, and audits grant claims.

In 2002/02 the branch audited 1,600 claims and recovered approximately $1 million.

Special Projects Office

A Special Projects Office was set up reporting directly to the Deputy Minister's office in January 2002. The purpose of the office is to develop a work plan to reduce the number of revenue systems in government and examine the feasibility of a corporate accounts receivable system across government.

Ministry of Provincial Revenue Organizational Chart



2001/02 Resource Summary

	Estimated	Other Authorizations	Total	Actual	Variance
Operating Expenses ($000)					
Vote 39					
Minister's Office	382		382	314	68
Taxation Revenue	40,504		40,504	40,368	136
Natural Resources	4,296		4,296	4,265	31
Home Owner Grant	4,541		4,541	3,679	862
Collection and Loan Management Branch	1	—	1	(164)	165
	1	—	1	—	—
Total Vote 39	**49,724**	**—**	**49,724**	**48,462**	**1,262**
Special Accounts					
Provincial Home Acquisition	25	—	25	12	13
Full-time Equivalents (FTEs)					
Total Vote 39	**817**	**—**	**817**	**732**	**85**
Special Accounts					
Provincial Home Acquisition	—	—	—	—	—
Ministry Capital (Expenditures) ($000)					
Information Systems	**15,781**	**—**	**15,781**	**5,663**	**10,118**
Other	**799**	**—**	**799**	**568**	**231**
Total Vote 39	**16,580**	**—**	**16,580**	**6,231**	**10,349**
Information Systems	—		—	—	—
Other	—		—	—	—
Total Special Account — Provincial Home Acquisition	—	—	—	—	—